

Attachment 5

FINANCIAL STATEMENTS
OF WORLD ACCESS, INC. (Parent of Applicant)

OFFICIAL FILE

T.C.C. DOCKET NO. 04-487

Exhibit No. 1

Witness H. D. Baker

Date 12/3/82 Reporter 777

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PART I

FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

WORLD ACCESS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

<TABLE>
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	JUNE 30, 1999 (UNAUDITED) <C>	DECEMBER 31, 1998 <C>
ASSETS		
Current Assets		
Cash and equivalents.....	\$ 98,996	\$ 55,176
Accounts receivable.....	97,342	70,485
Inventories.....	45,216	48,591
Deferred income taxes.....	33,022	37,185
Other current assets.....	21,907	21,381
Total Current Assets.....	296,483	232,818
Property and equipment.....	62,325	63,602
Goodwill and other intangibles.....	309,540	298,780
Other assets.....	24,798	18,612
Total Assets.....	\$ 693,146 =====	\$ 613,812 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term debt.....	\$ 12,285	\$ 17,989
Accounts payable.....	58,393	36,418
Other accrued liabilities.....	45,744	52,825
Total Current Liabilities.....	116,422	107,232
Long-term debt.....	140,728	137,864
Noncurrent liabilities.....	10,204	8,133
Total Liabilities.....	267,354	253,229
Stockholders' Equity		
Preferred stock.....	1 -	--
Common stock.....	448	441
Capital in excess of par value.....	544,481	472,945
Accumulated deficit.....	(119,138)	(112,803)

.....
Total Liabilities and Stockholders' Equity..... \$ 693,146
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See notes to consolidated financial statements

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!--StartFragment-->WORLD ACCESS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
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	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
	(UNAUDITED)			
<S>	<C>	<C>	<C>	<C>
Carrier service revenues.....	\$113,279	\$ 718	\$198,891	\$ 1,263
Equipment sales.....	64,493	33,824	122,360	56,684
Total Sales.....	177,772	34,542	321,251	57,947
Cost of carrier services.....	99,611	587	175,269	1,041
Cost of services network.....	4,394	38	9,963	76
Cost of equipment sold.....	36,748	17,171	68,690	29,353
Amortization of acquired technology.....	1,200	--	2,400	--
Total Cost of Sales.....	141,953	17,796	256,322	30,470
Gross Profit.....	35,819	16,746	64,929	27,477
Research and development.....	4,419	1,746	8,773	2,478
Selling, general and administrative.....	15,032	4,013	28,939	6,798
Amortization of goodwill.....	3,251	833	6,369	1,475
In-process research and development.....	--	--	--	35,400
Restructuring and other charges.....	--	--	--	590
Operating Income (Loss).....	13,117	10,154	20,848	(19,264)
Interest and other income.....	1,083	699	1,506	1,970
Interest expense.....	(1,976)	(1,515)	(4,604)	(2,958)
Income (Loss) From Continuing Operations Before Income Taxes and Minority Interests.....	12,224	9,338	17,750	(20,252)
Income taxes.....	5,952	3,721	9,357	5,906
Income (Loss) From Continuing Operations Before Minority Interests.....	6,272	5,617	8,393	(26,158)
Minority interests in earnings of subsidiary.....	--	848	--	1,532
Income (Loss) From Continuing Operations.....	6,272	4,769	8,393	(27,690)
Net income (loss) from discontinued operations.....	(685)	1,702	(653)	(40)
Write-down of discontinued operations to net realizable value.....	(13,662)	--	(13,662)	--
Net Income (Loss).....	(8,075)	6,471	(5,922)	(27,730)
Preferred stock dividends.....	413	--	413	--

Net Income (Loss) Available to Common Stockholders.....	\$ (8,488) =====	\$ 6,471 =====	\$ (6,335) =====	\$ (27,130) =====
Income (Loss) Per Common Share:				
Basic:				
Continuing Operations.....	\$ 0.16	\$ 0.23	\$ 0.22	\$ (1.39)
Discontinued Operations.....	(0.39)	0.08	(0.40)	--
Net Income (Loss).....	\$ (0.23) =====	\$ 0.31 =====	\$ (0.18) =====	\$ (1.39) =====
Diluted:				
Continuing Operations.....	\$ 0.16 ^a	\$ 0.22	\$ 0.22	\$ (1.39)
Discontinued Operations.....	(0.36)	0.08	(0.37)	--
Net Income (Loss).....	\$ (0.20) =====	\$ 0.30 =====	\$ (0.15) =====	\$ (1.39) =====
Weighted Average Shares Outstanding:				
Basic.....	36,375 =====	20,576 =====	36,232 =====	19,960 =====
Diluted.....	40,296 =====	21,822 =====	38,446 =====	19,960 =====

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See notes to consolidated financial statements.

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WORLD ACCESS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(IN THOUSANDS)

<TABLE>

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	PREFERRED STOCK	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE (UNAUDITED)	ACCUMULATED DEFICIT	TOTAL
	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 1999.....	\$ --	\$ 441	\$472,945	\$(112,803)	\$360,583
Net and comprehensive net loss.....				(5,922)	(5,922)
Issuance of preferred shares in private offering.....	1		47,750		47,751
Issuance of preferred shares for acquisition of business.....			18,539	(413)	18,539
Dividends on preferred stock.....					(413)
Release of escrowed shares for acquisition.....		1	2,824		2,825
Issuance of shares for technology license.....		5	1,705		1,710
Issuance of shares for options and warrants.....		1	479		480
Tax benefit from option and warrant exercises.....			54		54
Issuance of shares to 401K plan.....			185		185
Balance at June 30, 1999.....	\$ 1	\$ 448	\$544,481	\$(119,138)	\$425,792

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See notes to consolidated financial statements.

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<!--StartFragment-->WORLD ACCESS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE>
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	SIX MONTHS ENDED JUNE 30,	
	1999	1998
	(UNAUDITED)	
<S>	<C>	<C>
Cash Flows From Operating Activities:		
Net loss.....	\$ (5,922)	\$ (27,731)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization.....	15,123	3,194
Write-down of discontinued operations to net realizable value.....	13,662	--
Income tax benefit from stock warrants and options.....	54	4,222
Special charges.....	--	40,434
Minority interests in earnings of subsidiary.....	--	1,532
Provision for inventory reserves.....	680	144
Provision for bad debts.....	1,453	316
Stock contributed to employee benefit plan.....	185	92
Changes in operating assets and liabilities, net of effects from businesses acquired:		
Accounts receivable.....	(23,121)	(13,088)
Inventories.....	(10,236)	(9,294)
Accounts payable.....	13,909	9,101
Other assets and liabilities.....	(1,499)	(5,970)
Net Cash From Operating Activities.....	4,288	2,952
Cash Flows From Investing Activities:		
Acquisitions of businesses, net of cash acquired.....	(2,241)	(62,084)
Proceeds from sales of assets.....	4,754	--
Capitalization of software development costs.....	(2,452)	(1,831)
Expenditures for property and equipment.....	(4,163)	(5,859)
Net Cash Used By Investing Activities.....	(4,102)	(69,774)
Cash Flows From Financing Activities:		
Net proceeds from sale of preferred stock.....	47,788	--
Short-term borrowings.....	1,200	4,297
Principal payments under capital lease obligations.....	(1,626)	--
Repayment of industrial revenue bond.....	(4,072)	--
Proceeds from exercise of stock warrants and options.....	480	3,080
Long-term debt repayments.....	--	(967)
Debt issuance costs.....	(136)	--

Net Cash From Financing Activities.....	43,634	0,410
	-----	-----
Decrease in Cash and Equivalents.....	43,820	(60,412)
Cash and Equivalents at Beginning of Period.....	55,176	118,065
	-----	-----
Cash and Equivalents at End of Period.....	\$ 98,996	\$ 57,653
	=====	=====

Supplemental Schedule of Noncash Financing and Investing

Activities:

Issuance of common stock for businesses acquired.....	\$ 2,825	\$ 33,397
Issuance of preferred stock for business acquired.....	18,539	--
Issuance of common stock for technology license		
agreements.....	1,710	--
Issuance of stock options for businesses acquired.....	--	8,360
Conversion of note receivable to investment in ATI.....	--	4,485

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See notes to consolidated financial statements.

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**STATEMENT OF
FINANCIAL, TECHNICAL AND MANAGERIAL
SUPPORT INCLUDING SAFEGUARDS ON
SLAMMING AND CRAMMING**

I.) INTRODUCTION

On March 1, 2000, World Access, Inc., a publically traded telecommunications holding company, organized a wholly owned subsidiary, WorldxChange Communications, Inc. (WxC). The purpose for organizing WxC was to facilitate the transaction whereby World Access through WxC would acquire all of the stock of Communications Telesystems, Inc. (CTI).

CTI was previously certified with the Illinois Commerce Commission ("Commission") in Docket No. 93-0079 and 97-0333. However WxC is not presently certified with the Commission.

Since WxC will be the survivor of the merger between CTI and WxC, WxC is required to become certified with the Commission in order to carry on the business of CTI.

II.) FINANCIAL

Since WxC was organized solely for the purpose of acquiring the business of CTI, the stand alone financials of WxC are minimal. Therefore, for purposes of WxC's application with this Commission, the financials of WxC's parent corporation were attached. (A more recent financial statement has been attached hereto).

According to the more recent financial statements, World Access listed total assets of over \$2 billion and liabilities of \$819 million with a stockholders equity of over \$1 billion. It is clearly evident from the attached financials that WxC, through its parent, has the financial ability to provide telecommunications services within the State of Illinois.

III.) MANAGERIAL/TECHNICAL

The management of WxC will, for the most part, mirror the management of its corporate parent World Access. As can be seen from the following summary, the management of WxC has sufficient qualifications to operate a provider of telecommunications within the State of Illinois.

A.) John D. Phillips (Director):

Named Chief Executive Officer and President of World Access, Inc. ("WAXS" on Nasdaq) on December 16, 1998, following the acquisition of the company he was then CEO of, Resurgens Communications Group. Mr. Phillips was elected Chairman of the Board on May 28, 1999.

Prior to his role at Resurgens, Mr. Phillips was the President and CEO of The Actava Group, Inc. ("Actava"), formerly known as Fuqua Industries, a \$1.3 billion diversified holding company,

trading on the NYSE. During his tenure, he merged Actava with Metromedia International Telecommunications, Inc. and Orion Pictures Corporation to form Metromedia International Group ("MIG"), a \$750 million market capitalization company.

Mr. Phillips began his career in telecommunications in May, 1982 when he founded Transcall America ("TA"), a resale long distance telephone company. TA completed a reverse merger and acquire Advanced Telecommunications Corporation ("ATC"), a zero plus and one plus telecommunications company, in June 1983. Mr. Phillips built ATC from \$20 million in sales to more than \$1609 million in revenue by 1988. Mr. Phillips was the architect of the three-way merger of RCG with Metromedia Communications Corporation and LDDS. This transaction created the fourth largest long distance company in the country, WorldCom, Inc.

Mr. Phillips has successfully acquired or merged more than 150 companies and has completed more than 50 rounds of debt and public equity offerings. His track record demonstrates his ability to assemble management teams capable of successfully competing within their respective industries and delivering strong shareholder returns. All of his companies have been publically traded, within the exception of NGK.

Mr. Phillips has been a director of World Access, Inc. since 1995.

B.) W. Tod Chmar (President/Director)

Tod Chmar has served as an Executive Vice President of World Access, Inc. since December, 1998 following World Access's acquisition of Cherry Communications Incorporated. Prior to that, Mr. Chmar became an Executive Vice President of Cherry Communications Incorporated d/b/a Resurgens Communications Group and of Cherry Communications U.K Limited in October of 1997 when Jack Phillips became CEO. He also became a director of both corporations at that time.

Mr. Chmar served as Senior Vice President of Metromedia International Group, Inc. from November 1995 through December 1996. Prior to that he was Senior Vice President of the Actava Group, Inc. from 1994 through November 1995, when it merged with Orion Pictures Corporation and Metromedia International Telecommunications, Inc. to form Metromedia International Group.

From January 1985 until September 1993, Mr. Chmar was a partner in the law firm of Long, Aldridge & Norman, specializing in mergers and acquisitions and corporate finance. He began representing Mr. Phillips at Resurgens, Metromedia Communications Corporation and LDDS Communications, Inc., in September 1993, he joined Mr. Phillips as a business partner to pursue business deals.

C.) Mark A. Gergel (Secretary):

Mark Gergel joined the World Access, Inc. in April 1992 as Vice President and Chief Financial Officer. In December 1996, he was named an Executive Vice President of the Company and in December 1998, he was elected a director of the Company. From 1983 until March 1992, Mr. Gergel held five positions of increasing responsibility with Federal-Mogul Corporation, a publicly-

held manufacturer and distributor of vehicle parts, including International Accounting Manager, Assistant Corporate Controller, Manager of Corporate Development and Director of Internal Audit. Prior to joining Federal-Mogul, Mr. Gergel spent four years with the international account firm of Ernst & Young. Mr. Gergel is a Certified Public Accountant.

As a result of the structure of the transaction between CTI and WxC being a merger, many of the technical and engineering staff who are properly employed by CTI will become employees of the combined company, WxC. Since CTI was previously certified by this Commission, the Commission has had the opportunity to review and approve of the technical capability of the staff of CTI. Therefore, since many of the technical staff of CTI will be employed by the combined entity, WxC respectively asserts that not only is its present management technically capable of operating a telecommunications service provider but, combined with CTI's technical staff, has more than sufficient technical capabilities.

IV.) SLAMMING/CRAMMING POLICY

WxC has a policy of zero toleration for either slamming or cramming. Although the company has not developed a specific training manual for its employees, all current and new employees are educated concerning what slamming is and how to avoid running afoul to the rules.

Employee education consists of supervisors explaining what slamming is and reviewing Subpart K of 47 CFR Ch. 1 which sets forth the proper method by which an end-user changes his long distance. If any employee violates the FCC's slamming rules, the penalties paid by the company are deducted from the employees paycheck.

With respect to cramming, the company has a policy of only billing for services for which it holds a valid service order form and will only bill for the services contained in the order form. The company does not bill on behalf of third parties.

WxC believes that its policies are sufficiently comprehensive so as to avoid violation of the slamming and cramming rules.